

Dear Fellow Investor,

We hope this message finds you well. In this note, we discuss our performance, our approach to making investments and assessing risk in the current market situation.

Our Performance and Market Context

The 1 Year returns at our Equity Strategy “Fortuna One” have been **+50.4%** (post all fee and expenses), generating **+9.3% alpha** over the Benchmark BSE S&P 500. Since inception, we have generated an alpha of **+20.7%** over the Benchmark.

FORTUNA ONE As on 31 Aug 2024*	1 Month Return %	3 Month Return %	6 Month Return %	1 Year Return %	Since Inception Return %
FORTUNA ONE: EQUITY STRATEGY	+3.1%	+16.4%	+26.1%	+50.4%	+66.5%
Benchmark [S&P BSE 500]	+1.0%	+12.9%	+18.7%	+41.1%	+45.8%

As of 31Aug 2024, we were comfortably positioned amongst the **top quartile** of all PMS strategies in India.

While the past year has been good, the market at the current time is richly valued. The Sensex is at more than 1 standard deviation over historical levels. With large pools of domestic capital chasing investment opportunities, valuations have gone up, making our job as portfolio managers a lot more difficult in the current year.

The recent union budget continued its focus on fiscal consolidation and capital expenditure but added tax burden on investors and traders. The focus on skilling and jobs is a long term positive, but support to rural consumption has not been material. At a broad level, we do not see any material change in the market outlook post the budget.

Our Approach to Making Investments in the Current Market

In our portfolio, we see several of our positions are at valuations where it is not wise to deploy fresh capital at current prices. Even so, except in cases where valuations are factoring in irrational expectations, we prefer to hold and not take cash off the table. Our investment style is to avoid market timing, remain tax efficient, and not disrupt long-term compounding thesis on our conviction bets. We remain investors who hold on to well-run strong businesses over a long period of time.

As our core process, we maintain a decision journal (a record of each of our investments decisions, the thesis, the risk assessment and the portfolio position) to keep ourselves disciplined when deploying or taking off capital. We work on building investment cases where we see market opportunity over the medium to long term.

We outline Core Areas where we are working deep to identify and make investments.

1. Transition to renewable energy. We find businesses in Transmission EPC and Renewable Energy value chain of specific interest. We intend to hold our investments over the medium to long term.

2. Credit growth. We see this is an area of consistent compounding over the medium to long term, despite specific short-term challenges. We find quality growth franchisees at reasonable valuation multiples.
3. Outsourcing of Research Services. We see several well-run businesses in India who partner with leading global innovators in Pharma and Agrochemicals. This field has a very long runway but may throw up interim volatility. We are prepared.
4. Indigenization of Defense Production Capability. Our work has been to identify specific opportunities, and steer clear of pockets of overvaluation. Our investment cases are ready, and we will add to our positions as we see better entry points.
5. Physical and Digital Infrastructure. We have been investors with strong conviction in businesses focused on building physical infrastructure. We have now added businesses focused on digital infrastructure, at reasonable valuations.

While we see opportunities of interest, we are also challenged in deploying capital in a valuation sensible way. We also think about the potential risks that may play out, several of which are global geopolitical events with no clear call out.

We are onboarding fresh clients but taking 4-6 weeks to deploy the fresh capital pool. This has resulted in about one-fourth of our total portfolio invested in cash or G-Sec / AAA bonds (as on 31 Aug 2024). While this is a drag on our short-term performance, it also brings us the opportunity to deploy capital at more reasonable entry valuations.

Our Approach to Portfolio Construction

Our portfolio strategy remains anchored in fundamental analysis, concentrating on 16 core stocks that make up 85% of our equity investments in the portfolio (net of cash and debt).

Our investment case for each stock includes a core set of operating and financial metrics that we understand well, track diligently, and benchmark with competition.

We have, during H2 FY23-24, added a Debt Strategy “Fortuna Two”. This strategy focuses on constructing a portfolio of G-Sec, AAA, AA+ Listed Debt, and listed InvIT / REIT Securities to target inflation beating low volatility returns.

We believe a balance of Fortuna One [our Equity long-term focused compounding strategy] and Fortuna Two [our Debt strategy] works better for our clients, especially in these markets.

Helping Investors Do the Right Thing

We are responsible investors and keen to do our bit as Team Fortuna to help investors take the right financial decisions, whether when investing with us or elsewhere.

Thank you for your trust in us. Please feel free to visit our website (www.fortunaadvisors.in) or get in touch if you have any questions or need further information.

Warm regards,
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Jasmeen Kaur

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